IV. CONCLUSIONS

Studying patterns of FSP entry and exit can improve our understanding of how long individuals participate in the FSP. This analysis also can provide a better understanding of how policy and economic factors affect caseload trends. In this study, we set out to measure these trends using two key data sources: FSPQC and SIPP.

Using two data sources provides increased support for our conclusions when the estimates from the two data sources are consistent. In comparing the results of the FSPQC- and SIPP-based estimates, we draw the following general conclusions:

- Caseload changes during the 1990s were driven both by changes in the rate that people that entered the program as well as in the length of time that people participated.

- Much of the caseload growth of the early 1990s was caused by increasing replacement rates, although lengthening participation spells also contributed to the growth.

- Much of the caseload decline of the late 1990s was caused by shorter participation spells. In particular, participation spells among long-term participants were reduced substantially.

- More than half of new entrants exited the program within between six and eight months, and about two-thirds of new entrants exited within one year.

- In any given month, the caseload consisted of a large portion of long-term participants. In March 1996, between one-third and one-half of participants were in the middle of spells longer than four and a half years (a substantial decline from earlier estimates which indicated that in 1992 one-half of participants were in the middle of spells longer than eight years).

- Single mothers tended to enter the FSP at a relatively constant rate. The length of time that single mothers participated in the FSP declined over the course of the 1990s.

- Because able-bodied adults have always experienced short FSP participation spells, the time limits on FSP benefits imposed through welfare reform had only a minor impact on the length of their participation spells.

- There is no evidence that the eligibility restrictions of welfare reform led to lower rates of program entry among noncitizens.

In the remainder of this chapter, we use the FSPQC- and SIPP-based results to answer the research questions we raised in Chapter I.

Question 1: How have replacement and exit rates changed over the course of the 1990s?

FSPQC and SIPP data indicate that replacement rates fell and exit rates increased during the 1990s. Replacement rates were at their lowest levels during the period of caseload decline in the late 1990s. Thus, as the caseload peaked and subsequently began to decline, there were fewer new entrants relative to the previous month's caseload. At the same time, exit rates were at their highest during the decline. Relative to the previous month's caseload, the number leaving the FSP each month grew.

Both replacement and exit rates are higher in the FSPQC than in the SIPP analyses. In FSPQC data, the average replacement and exit rates for the 1990s were 7.0 and 7.2 percent, respectively. In SIPP, the replacement and exit rates for the same period were both 4.4 percent. The higher rates in FSPQC data could be explained partly by the weighting adjustment we performed to adjust for the undersample of individuals in their first month of participation. However, if this explains some of the difference between the SIPP and FSPQC rates, it is likely to be only a small part. The adjustment achieved a replacement rate-exit rate equilibrium that was consistent with observed caseload trends. A smaller adjustment would lead to even higher exit rates, and a larger adjustment would lead to even higher replacement rates.

A more plausible explanation is that SIPP underestimated volatility in the 1990 through 1993 panels. The 1996 panel estimated replacement and exit rates to be 1.5 percentage points higher than in the earlier panels. We adjusted the 1996 panel estimates downward to be consistent with those of the earlier panels, implicitly assuming an error in the 1996 panel

estimate. However, it could be that changes in the 1996 panel estimates led the replacement and exit rates to be more accurate, not less accurate. Specifically, computer-assisted interview techniques may have led to more accurate entry and exit reporting. This would imply that the true entry and exit rates were closer to the FSPQC-based estimate of 7.0 percent. Unfortunately, without a better understanding of the problems with the 1996 and earlier SIPP panel estimates, we do not know which estimates of replacement and exit rates were more accurate.

Question 2: How have the changes in replacement and exit rates combined to affect caseload levels?

The replacement and exit rates both play a large role in explaining caseload trends. In the early 1990s, caseloads grew in large part because the replacement rate was higher than usual. But longer participation spells also contributed to the growth. In the late 1990s, high exit rates helped to drive much of the caseload decline, but low replacement rates also played a role in explaining caseload trends.

In decomposing the changes in growth rates across analysis periods, both datasets indicate that the falling replacement rate played a major role in explaining the shift from caseload growth in the early 1990s to caseload decline in the mid-1990s. According to FSPQC data, a rising exit rate during the early 1990s helped end the period of caseload growth.

Both datasets indicate that rising exit rates explain more than two-thirds of the shift from the slight decline of the mid-1990s to the steep decline of the late 1990s. These changes are particularly policy-relevant because the steep decline followed the sweeping welfare reforms introduced by PRWORA. During this period, the exit rates were higher than at any other point in the decade, and the shift in exit rates explained 70 percent of the change in growth rates. Thus, after PRWORA, caseloads shrank predominantly because individuals exited the program at a faster rate.

The overall conclusion for the 1990s is that neither the replacement nor the exit rate was solely responsible for explaining caseload changes. When we examine the relative roles of replacement and exit rate changes in the shift from the caseload growth period of 1990-1993 to the caseload decline period of 1996-1999, both FSPQC and SIPP data indicate that the two factors had equal weight in explaining the caseload changes. As a result, policymakers should consider the implications of policy and economic changes on both the rate at which people enter the program and on the length of time that they participate.

Question 3: How long did individual FSP participation spells tend to last?

According to FSPQC and SIPP data, more than half of all new entrants into the FSP exited the program by between six and eight months, and approximately two-thirds of new entrants exited by the end of one year in the program. Thus, about one out of every three new entrants participated in the program for longer than one year. The participation spells of long-term participants were estimated to be substantially longer in SIPP data than in the FSPQC data.

At any given point in time, the FSP caseload has accumulated a large number of long-term recipients. However, estimates of the cross-sectional distribution of spell lengths differ between SIPP and FSPQC data. Among all individuals participating in March 1996, SIPP data suggest that half were in the middle of participation spells lasting four and a half years or longer, while FSPQC data indicate that only one-third of the caseload was in the middle of spells of at least four and a half years. In FSPQC data, the median participation spell for March 1996 participants was just over two years. While it is unclear why the estimates from these separate sources differ, it appears that the estimated median participation spell of eight years for a cross-section of FSP participants is no longer an accurate depiction of the FSP dynamics.

Question 4: Have FSP spell lengths changed over time?

FSPQC estimates that participation spells shortened over time. The 25th percentile participation spell declined from four months in the early 1990s to three months in the mid- and late 1990s. The median participation spell declined from seven months to six months. SIPP data, on the other hand, estimate that short-term participation spells were constant over time. According to SIPP data, during each of the three periods examined in the 1990s, the 25th percentile and median spell lengths were four and eight months, respectively. For each data source, the trends in participation spell lengths are consistent with earlier estimates of the influence of changes in the exit rate.

Among households with relatively long participation spells, both FSPQC and SIPP data estimate that spells became shorter over the 1990s, but the estimates differ on the magnitude of the decrease. According to FSPQC data, the 75th percentile spell length among program entrants fell from 13 months in the early 1990s to 12 months in the late 1990s. According to SIPP data, the 75th percentile fell from 26 months to 16 months.

Question 5: Did replacement rates, exit rates, and spell lengths vary for FSP subpopulations?

Participation patterns have varied substantially by subgroup. For this analysis, subgroup estimates were based on SIPP data only.

Participation trends among single mothers are explained predominantly by the exit rate. The replacement rate among single mothers stayed relatively constant during the 1990s. On the other hand, the exit rate was low during the growth of the early 1990s and was high during the declines of the late 1990s. Thus, compared with the rest of the FSP population, single mothers tended to enter the program at a more stable rate, but the length of time they participated varies more.

According to SIPP data, the exit rate explained 57.6 percent of single mother caseload trends in the early 1990s and 63.6 percent in the late 1990s.

Compared with other subgroups, single mothers had relatively long participation spells. The median spell for the entire period was 11 months, which reflects a decline from 13 months in the early 1990s to 8 months in the late 1990s.

Somewhat surprisingly, the replacement rate for noncitizens did not decline after the eligibility restrictions of PRWORA. The replacement rate among noncitizens in the 1996 to 1999 period (4.7 percent) was at almost the same level as in the 1990 to 1993 period (4.9 percent). The length of participation among noncitizens did change, however. The exit rate increased from 3.8 percent in the early 1990s to 5.3 percent in the late 1990s, and the median participation spell fell from 12 months to 8 months among this population.

ABAWDs are another group with eligibility restrictions. In 1996, welfare reform subjected ABAWDs to time-limited food stamp participation: unless they were meeting work requirements, ABAWDs could receive no more than three months of FSP benefits. The replacement rate for ABAWDs fell from 13.3 percent in the early 1990s to 10.1 percent in the late 1990s, suggesting that ABAWDs were deterred from entering the FSP. The exit rate for this population increased from 10.5 percent in the early 1990s to 11.8 percent in the late 1990s. ABAWDs had the shortest participation spells of all subgroups examined, with half of all ABAWDs exiting by the end of their fourth month and three-fourths exiting by the end of their ninth month. Despite time limits imposed through PRWORA, the short ABAWD participation spells remained relatively constant during the 1990s.

Caseload trends for the elderly are driven more by entry patterns than exit patterns—the exit rate among the elderly remained between 2.5 and 2.7 percent over the 1990s. Compared with other groups, the elderly had the longest participation spells. Among all new entrant elderly

individuals during the 1990s, half had spells of 15 months or longer. Spells were longest during the early 1990s, when half of the elderly had spells of 20 months or longer. Participation spells for the elderly experienced the sharpest decline among all of the subgroups, with the median falling to 12 months in the late 1990s.

For the working poor (food stamp participants with earnings), exit rates typically were high because employment is a trigger for FSP exit. Among individuals entering the FSP with earnings, the median participation spell remained relatively constant—at about six months— during the 1990s.